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TAGS: PREL ECON EFIN KTFN MNUC PINS IR UK

SUBJECT: IRAN: FCO READOUT ON SOLANA IN TEHRAN AND PM BROWN'S STATEMENT ON IRANIAN BANKS

REF: A. UK EMB TEHRAN JUNE 15 E-GRAM 23175/08 "E3+3  
VISIT TO IRAN" E-MAILED TO NEA/IR JUNE 16

1B. EMB LONDON (GAYLE)-NEA/IR (HUMMEL/STANDAERT)

EMAIL JUNE 13

1C. STATE 64530

1D. LONDON 1595

Classified By: Political Minister Counselor Maura Connally for reasons 1.4 (B) and (D).

¶1. (S/NF) Summary: Although Iran did not provide an immediate response to the P5 1 refreshed offer, Iran NSC Secretary Jalili unexpectedly agreed to "study the offer carefully," and also agreed it is now up to Iran, rather than the P5 1, to respond (ref a). A reference by Prime Minister Gordon Brown to Bank Melli's designation during his joint press conference with President Bush June 16 was a "misstatement" which took the FCO and UK bank regulators by surprise, Foreign and Commonwealth Office's (FCO) Iran Coordination Group Multilateral Team Leader Will Gelling told London Iran Watcher Poloff June 16. HM Treasury confirmed that Brown was ahead of the EU on this statement. The FCO is beginning work on an initial draft of another UNSC resolution on Iran. End summary.

Iran Banks: PM's Slip of the Tongue

¶2. (S/NF) On the Prime Minister's statement, Gelling made it clear the PM's Melli comment, that "Iran's largest bank" would be designated by the EU, had not been coordinated in advance with HMG ministries and that FCO and HM Treasury were engaged in damage control, their fear being that the comment might prompt capital flight in advance of the EU's designation of Bank Melli, now scheduled for June 23 (ref b).

Gelling commented the Financial Services Authority was "even more upset" than other UK officials. HMT officials, already upset at EC and Washington comments signaling the EU's intent to sanction Bank Melli, were frustrated that their own boss has added to the likelihood of further capital flight.

¶3. (S/NF) Gelling said that, to follow up the PM's unexpected comments, Foreign Secretary Miliband would note at the June 16 GAERC, without mentioning banks by name, that 27 EU governments are agreed on going forward soon on financial sanctions, with "technical details" being worked out now.

UK Pol Dir Readout on Tehran Visit

¶4. (C) UK PolDir Mark Lyall Grant reported (ref a) that in systematic, separate briefings June 14 for Iranian Foreign Minister Mottaki and NSC Secretary Jalili by Solana all the P5 1 Political Directors (USG excepted) participated actively, presenting a united front. Mottaki reportedly contended that the Iran offer of May 2008 was co-equal with the P5 1 package, and did not commit to providing an answer independent of a P5 1 response based on the Iran offer.

Jalili reportedly began his meeting with P5 1 reps making the same point but, following Solana and Lyall Grant push-back, agreed that Iran now owed the P5 1 an answer based on the refreshed offer, which Jalili said Iran would "study carefully."

¶ 15. (C) Lyall Grant reported widespread, though not overwhelming, attention in Iranian media to the group's visit, with some softening in the official Iranian position during the course of the visit. The Iranian comments to which President Bush referred from Paris on June 15 were, according to Grant, those made by an Iranian government spokesman before the Mottaki and Jalili meetings. Lyall Grant reported Deputy Foreign Minister Safari attended both June 14 multilateral meetings and, in a June 15 follow-up bilateral meeting with Grant, reiterated that Iran would examine the P5 1 offer carefully. In his report to London (ref a), Lyall Grant commented that a major purpose of the Tehran visit and offer was to stimulate wider internal discussion in Iran of the regime's nuclear policies and Iranian national interests.

HMG Focused On A Symbolic UNSCR

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¶ 16. (C/NF) Also on June 16 Gelling once more noted to Poloff, as previously reported ref (d), that HMG strongly believes another UNSC resolution on Iran, even if only symbolic, will be necessary, both to maintain pressure on Tehran and to complement U.S., UK, French, and German efforts to obtain farther-reaching substantive measures on Iran within the EU. Gelling noted PolDir Lyall Grant had tasked the FCO Iran team

LONDON 00001645 002 OF 002

to begin developing a new draft UNSC resolution, and that FCO was likely to take early drafts of UNSCR 1803 as a beginning point. Gelling said the substantive measures therein could in the course of negotiations be discarded as agreement was coaxed out of any reluctant P5 1 partners, such as China or Russia, to support a symbolic fourth resolution.

¶ 17. (SBU) Poloff on June 17 provided Gelling a copy of the USG background non-paper on the P5 1 package (ref c) and described USG advocacy efforts in support of the package; Gelling noted HMG is in full agreement with the approach.

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